

VZCZCXYZ0009
PP RUEHWEB

DE RUCNDT #2222/01 3402328
ZNR UUUUU ZZH
P 062328Z DEC 06
FM USMISSION USUN NEW YORK
TO SECSTATE WASHDC PRIORITY 0887

UNCLAS USUN NEW YORK 002222

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [AORC](#) [UNGA](#) [KUNR](#)

SUBJECT: UN CAPITAL MASTER PLAN: INTRODUCTORY STATEMENTS

¶1. SUMMARY: On November 30 and December 4, the Fifth Committee (Administrative and Budgetary) considered the Capital Master Plan, with several speakers emphasizing the need to take an early decision on the financing of the Plan so the project could move forward quickly. The UN acting under-secretary-general for management, Warren Sach, said although the project was slated to be completed by 2014, every month of delay was costing nine to 10 million dollars. The Secretary-General's report on the Plan also recommended approval of scope options, such as security measures, costing an additional 230.4 million dollars, raising the total project cost to 1.88 billion. Ambassador Wallace said the U.S. supported the Plan and looked forward to technical issues being discussed during informal consultations. South Africa (on behalf of the G77 and China) accused the host country of causing delays in the project by not offering a no-interest loan and failing to follow through on an offer to construct a swing space for the UN. Finland (on behalf of the European Union) stressed the importance of making a decision on financing for the project. Most speakers supported the Secretary-General's plan to pay for costs through assessments, but Japan advocated for a one-time payment to avoid any possibly cash flow problems. END SUMMARY.

CAPITAL MASTER PLAN: INTRODUCTION OF STATEMENTS

¶2. On November 30 and December 4, the Fifth Committee considered the Capital Master Plan, with several speakers emphasizing the need to take an early decision on the financing of the Plan so the project could move forward quickly. Introducing the Secretary-General's report on the issue, the acting under-secretary-general for management updated the Committee on the status of the project. He said although the project was slated to be completed by 2014, every month of delay was estimated to cost an additional nine to 10 million dollars. Rent was rising precipitously, as well as the costs of outfitting rental offices, and it was more difficult to find the space to accommodate the approximately 1,000 staff that would have be relocated by the end of next year. The report strongly recommended incorporating several scope options, including security measures and back-up systems, which would cost approximately 230.4 million dollars, bringing the total project budget to 1.88 billion. The Secretary-General recommended that the Assembly approve the funding of the Plan through multi-year assessments on Member States, an internationally syndicated letter of credit facility for the duration of the construction, and a working capital reserve fund to cover temporary cash-flow deficits.

¶3. Ambassador Wallace said the U.S. supported the Capital Master Plan and appreciated all the work done to date to ensure that the project would continue to move ahead. He noted the USG's readiness to make important decisions on the project budget and financing during the current session of

the General Assembly. He noted there were technical issues related to those decisions that needed to be resolved during informal consultations. He expected that the Secretary-General would take all steps needed to ensure the

SIPDIS

project was managed within the presented project budget. He noted the Secretary-General himself recommended that the General Assembly approve a project to be completed in the period 2006-2014, and with a budget not to exceed 1.876 billion dollars. It was important for the UN to be transparent and continually seek ways to contain costs and achieve greater efficiencies and use sound project management processes to control scope and schedule, he said.

14. South Africa (on behalf of the Group of 77 and China) said the G77 regretted delays to the Plan, but singled out the host country (U.S.) for being one of the main causes for any setbacks, especially considering the benefits accrued by hosting Headquarters. She blamed the U.S. for not offering the UN a no-interest loan or enabling construction of a swing-space building for UN staff. Regardless, she said it was time to take action on a financing strategy to avoid further delays and cost escalations. She also underlined the General Assembly's wish that the Secretary-General find ways to increase procurement opportunities for vendors coming from developing countries.

15. Finland (on behalf of the European Union) noted that the state of the building, which was completed in 1952, was well below New York City safety standards and suffering from deterioration. She said the issue of the Plan had been under discussion since 2000, and the negotiations had taken a considerable amount of time. The Fifth Committee had taken a decision on a Plan strategy last June, she noted, but now it was necessary to build on that progress and put the financing in place so that construction could begin on schedule. Regarding financing, the EU expressed preference for

multi-year direct assessments as the simplest method and expressed interest in the possibility of making the assessments broadly proportional to the needs in different phases to avoid unnecessary payments in advance. It made sense to have a mechanism in place to cover contractual obligations, she said. The EU understood the need for a letter of credit to demonstrate the full financial capability of the project. In agreement with the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ), the EU was of the view that an envisaged working capital reserve was an integral part of financing arrangements for the Plan.

16. Guyana (on behalf of the RIO Group) agreed that funding the Plan via assessed contributions offered the simplest option, but noted that the RIO Group preferred that payment of associated costs be done through a number of installments. He opposed on principle the introduction of interest on arrears in the payment of Member States, and called for careful study of the proposed mechanism for credit utilization charges. Appropriate care must be exercised by the Secretariat in the handling and preservation of artifacts, gifts and other valuable works contained in the building, which expressed the variety and uniqueness of the cultures of all Member States, he said. He also reiterated the comments made by South Africa regarding the host country.

17. Switzerland's representative said although the scope of such a large-scale project as the Plan could not be entirely determined in advance and needed to be adapted periodically, his delegation wanted to further examine the circumstances that led to additional requirements of 69.4 million dollars, in particular with regard to additional redundancy measures. The Secretary-General had indicated that those options could not be completed as stand-alone projects, and the Plan would offer a unique opportunity to incorporate the latest technology in a state-of-the-art solution. Bearing in mind the time horizon of the project, he supported the inclusion of the scope options in the base project.

¶8. Japan's representative called for containing costs and ensuring the cost-effectiveness of the Plan. Japan was ready to discuss projected costs, including scope options, as long as they were reasonable, but regretted that delays had increased total expenses to 1.88 billion dollars. He sought more persuasive reasons for the increased cost. Japan strongly supported the mix of one-time and multi-year assessments for the Plan, saying that in pursuing such an option it was necessary to secure sufficient cash in the most practical manner and also make it less likely that a letter of credit would be needed. A one-time payment was useful, which would help the Organization avoid a cash-flow deficit, minimize the need to use credit facilities and offer Member States discounts through future interest earnings, he said.

¶9. The Australian delegate (on behalf of CANZ) favored financing the Plan with equal multi-year cash assessments over five years. Such an approach would balance the needs of Member States to spread out payments over a number of years with the Plan's cash requirements. CANZ understood that multi-year assessments required the General Assembly to authorize the Secretary-General to enter into a letter of credit for the duration of the project, which he believed was an unavoidable commercial reality for such a large project in New York. He pledged to carefully consider the Secretary-General's proposed mechanism for attributing

SIPDIS

charges accrued by utilization of the credit facility. He warned that decisions on the scope could no longer be deferred, and noted there had been a four percent escalation in the cost of the Plan due to delays. He was also disappointed the Secretary-General had been unable to appoint an advisory board for the Plan, as requested by the General Assembly, ACABQ, and internal and external auditors.

¶10. The Republic of Korea's delegate advised the Committee to move with urgency on the Plan, since cost estimates had continued to rise. He wanted the Secretariat to elaborate in more detail on the monetary impact delays had on the Plan. He said Korea supported the ACABQ recommendations for the approval of the renewed Plan budget of 1.88 billion dollars, including the scope options. Several issues needed to be addressed, including the waiving of financial regulations, assessment options, the composition of the advisory board, and the recommendations by the Board of Auditors on amendments to procurement contracts, he said. He recommended that the possibility of a private donor should also be explored per General Assembly resolution 60/256.

¶11. The Chinese delegate recounted developments to the Plan since 2000, noting that in his view strategy IV (a phased approach to renovation) was the most realistic and cost effective proposal. However, the project still remained on paper and costs had increased at an annual rate of eight to 12 percent. Funding was key to successful implementation of

the Plan, and for this reason China was in support of direct cash assessments among Member States, whether they were one-time or multi-year. He hoped the host country would respond to the appeal of the majority of Member States to help implement the Plan per GA resolution 60/282. China also hoped the Secretary-General would increase procurement opportunities for vendors from developing countries and economies in transition.

¶12. The Russian Federation said that the City and State of New York were unwilling to cooperate with the UN despite the fact that the UN was a major part of the City's economy. He also stated that the host country had not offered an interest-free loan and that the Organization should have greater participation from the host country with regard to the overall financing of the project. The Russian delegate noted that it was unprecedented to require a letter of credit and was solely due to U.S. construction industry standards. He believed that those Member States that paid in full and on time should not bear the costs of using a letter of credit.

The delegate was interested in considering benefits to encourage Member States to pay their assessment up front.

BOLTON